The Forzani Group Ltd.

Fiscal 2000 Annual Report

Annual Meeting

The Annual Meeting of Shareholders will take place on June 7, 2000 at 10:00 a.m. at The Metropolitan Centre, Main Floor, 333 - 4th Avenue S.W., Calgary, Alberta. All Shareholders are encouraged to attend.

contents

OUR VISION

FGL's vision is to provide the **BEST** customer shopping experience, offering branded and private/captive label products in a **DIFFERENTIATED AND UNIQUE** way and to remain the **LOWEST COST** player in our retail sector, resulting in FGL becoming the **MOST PROFITABLE** sporting goods and apparel retailer in Canada with the **LARGEST** share of the market.

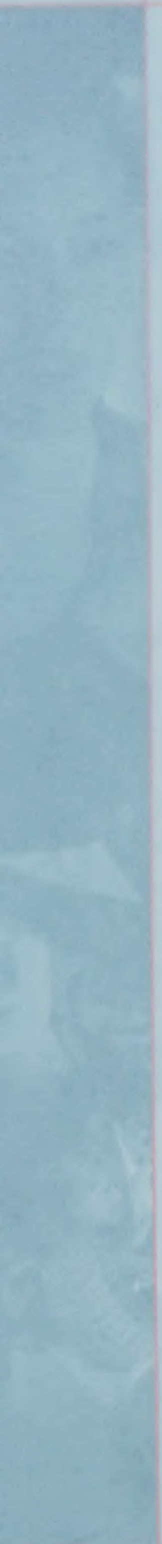
OUR CORE VALUES:

- To encourage individual initiatives and open communication to further enhance our entrepreneurial culture;
- To continually monitor and constantly re-evaluate all aspects of our business;
- To target outstanding performance.

Annual Meeting

The Annual Meeting ... a.m. at The Metropolitan Centre ... Alberta. All Shareholders are ...

contents



Operationalizing Our Vision

Converting our vision into meaningful functional elements requires a core ideology, or set of principles, followed by an action plan. FGL's core ideology is best summarized by the following statements: providing the typical Canadian family with all of their sports, recreation and lifestyle products; ensuring that all employees have the opportunity to turn their tenure at FGL into meaningful careers in an excellent work environment; continually trying new product and service offerings in all areas of the Company and running the cost structure very efficiently.

From these statements are derived the key strategic pillars which drive the operational activities at FGL on a daily basis. Alignment with our vision and core ideologies is evident in the following strategic pillars and resultant Fiscal 2001 business initiatives:

Key Strategic Pillars	Fiscal 2001 Business Initiatives
Retailing	
To provide consumers with a broad assortment of products complementing their lifestyles in multiple environments that are dynamic and interactive at competitive price points. FGL's retailing strategy is focused on delivering this consumer experience at the lowest possible cost. FGL's retail strategy will encompass retailing directly to consumers in both bricks and mortar and e-commerce channels and indirectly to consumers through a strong franchise network.	• Introduction and roll out of new discount banner. • Launch of e-commerce application. • Addition of 15 corporate and 20 franchise stores.
Human Resources	
To recruit, develop and retain the best retail workforce in Canada. Training staff in the areas of customer service and product knowledge remains a key priority for FGL. We aim to develop a focused and open-minded middle management team. We recognize the importance of strong leadership at the helm in all key functional areas.	• Increase in training and development spending by 45%. • Execution of multi-year contracts for executives. • Development of share ownership plan for key employees. • Introduction of an employee share purchase plan. • Completion of detailed job evaluation and compensation reviews across the entire Company.

Assortment

To provide an assortment of clothing, footwear, hardgoods and accessories that appeal to the typical Canadian consumer focused on sports and athletic lifestyles; to ensure that the assortment clearly provides a strong product value focus for the average Canadian; and to provide the broadest selection to consumers.

- Strong private/captive label development in street and hiking shoe categories.
- Roll out of private/captive label snowboard products, in-line skates and outerwear lines.
- Testing of selected newly emerging lifestyle brands.

Marketing

To position FGL's banners as brands in and of themselves and to create awareness of FGL's banners as the destination stores for all athletic and lifestyle requirements.

- Roll out of new private label credit card to franchisees and introduction into all banners.
- Inclusion of private/captive label products in promotional events.
- Increase levels of advertising expenditures by 15%.

Technology

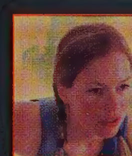
To develop information technology (I.T.) as a competitive advantage for FGL. It is our view that I.T. must become a key business enabler supporting human resources, retailing and assortment strategies at a cost that will make FGL a low cost technology user when benchmarked against key competitive retailers.

- Development of and adherence to enhanced key performance requirements for all mission-critical business applications.
- Development of a store based wide area network to support computer based training, centralized in-store marketing and e-commerce applications.
- Piloting of latest generation point of sale applications for corporate stores.

Process Management

To develop new business processes and refine existing ones so as to minimize cost, better protect assets and maximize the quality and timeliness of infrastructure expenditures to improve service levels, both internally and to the consumer.

- Implementation of stock-keeping unit-based automated shipping and receiving at warehouse levels and automated receiving and perpetual inventory programs at store levels.



Capital and Asset Allocation

To provide the Company with a flexible capital structure that can be quickly modified to suit the cyclicality of its business while yielding a long-term average pre-tax weighted average cost of capital of 12.5%. To allocate capital for non-strategic projects exclusively on the basis of the economics supporting the capital allocation.

- Development and execution of a plan to separately finance the new e-commerce business.
- Establish credit lines to finance acquisitions.

Key Operating and Financial Statistics

Financial Summary

	Fiscal 2000	Fiscal 1999	% Change
Sales at Retail ($000s)	**563,115**	500,292	12.6%
Revenues ($000s)	**454,101**	378,648	19.9%
Net Profit ($000s)	**14,343**	8,124	76.6%
Basic EPS	**$0.53**	$0.36	47.2%

Corporate Operations

	Fiscal 2000	Fiscal 1999	% Change
Retail Sales ($000s)	**325,041**	275,293	18.1%
Square Footage (000s)	**1,450**	1,098	32.1%
Number of Stores	**128**	132	(3.0%)
Store Operating Expenses as a Percentage of Total Revenue	**18.7%**	20.3%	(1.6%)

Franchise Operations

	Fiscal 2000	Fiscal 1999	% Change
Retail Sales ($000s)	**238,074**	224,999	2.8%
Square Footage (000s)	**878**	719	22.1%
Number of Stores	**165**	150	10.0%
Wholesale Sales to Franchisees ($000s)	**129,060**	103,355	24.9%

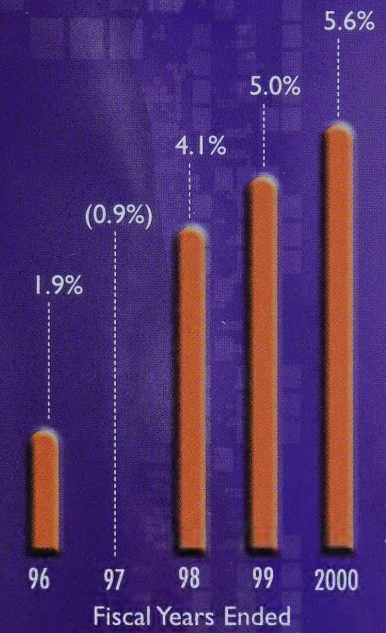
High Performance

Total Retail Sales
($ thousands)

Retail sales from corporate and franchise locations increased 12.6% to $563.1 million.

Net Income
($ thousands)

Net income jumped 76.6% to $14.3 million compared to $8.1 million a year earlier.



EBITDA Margin
(%)

EBITDA margin rose to 5.6%, an increase of 12.0% over the previous year.

Basic Earnings Per Share
($)

Basic earnings per share increased 47.2% to $0.53 from $0.36 in F1999.

Cash Flow Per Share
($)

Cash flow of $0.75 per share reflects an increase of 27.1% over $0.59 in F1999.

Five Year Summary of Key Indicators

Operating Results	**2000**	1999	1998	1997	1996
Revenues ($000s)	**454,101**	378,648	276,381	343,397	344,567
EBITDA ($000s)	**25,449**	18,785	11,461	(3,090)	6,515
EBITDA Margin	**5.6%**	5.0%	4.1%	(0.9%)	1.9%
Comparative Store Sales Growth (Corporate)	**7.4%**	17.9%	1.0%	(9.0%)	11.0%
Comparative Store Sales Growth (Franchise)	**(1.3%)**	7.0%	7.8%	5.0%	10.0%
Net Income ($000s)	**14,343**	8,124	769	(32,785)	(4,987)
Cash Flow from Operations ($000s)	**20,218**	13,391	7,351	(16,688)	2,408
Net Capital Expenditures ($000s)	**17,205**	6,769	1,549	5,458	20,319
Basic Earnings per Share	**0.53**	0.36	0.05	(4.32)	(0.66)

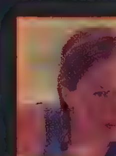
Financial Position					
Working Capital Ratios	**1.48**	1.57	1.27	0.94	1.16
Return on Average Equity (pre-tax)	**19.0%**	15.2%	2.7%	(94.2%)	(9.4%)
Net Debt to Total Capitalization	**19.4%**	25.4%	53.2%	69.2%	49.8%
Return on Net Assets	**6.9%**	5.0%	0.6%	(22.0%)	(2.7%)
Weighted Average Number of Shares	**26,947,618**	22,881,488	14,318,958	7,591,250	7,591,250
Number of Corporate Stores at Year End	**128**	132	139	153	157
Number of Franchise Stores at Year End	**165**	150	151	146	145
Total Square Footage (Corporate) at Year End	**1,450,413**	1,097,828	1,073,545	1,126,492	1,146,828
Total Square Footage (Franchise) at Year End	**877,555**	718,660	702,266	668,395	599,709
Corporate Retail Sales ($000s)	**325,041**	275,293	242,579	251,893	254,465
Franchise Retail Sales ($000s)	**238,074**	224,999	196,562	180,303	165,204

In Fiscal 2000, FGL opened 55 stores, retooled and relocated its distribution facilities and made significant investments in technology and staff training at retail levels to improve its competitive position. We are very pleased to report that these efforts resulted in profits increasing 76.6% to $14.3 million or $0.53 per share. Our Fiscal 2001 initiatives will continue to add value for our shareholders.

Overview of Fiscal 2000

Summarized below are the commitments made to our shareholders last year and our performance against those commitments.

Fiscal 2000 Commitments	Results Achieved
1. Open 20 new corporate stores, 10 of which are in Ontario and 20 new franchise stores.	29 new corporate stores were opened with 12 being in Ontario. On the franchise side, 26 locations were added.
2. Expand product and selling skills training to all employees.	3,155 employees representing 83% of FGL store level staff were trained in these areas.
3. As a percentage of sales, reduce operating costs at store level by 160 basis points and general and administrative by 80 basis points.	Operating costs were 18.7% of sales, down 161 basis points from last year. General and administrative costs decreased 48 basis points.
4. Increase the women's and children's categories and further expand the casual wear category.	Women's and children's categories grew by 18.3%. Casual wear volume increased by 102.4% compared to last year.
5. Roll out of the new Sport Chek concept and introduce the next generation in-store technology.	Approximately 43% of our Sport Chek stores are now converted to our new format. New internet-enabled store virtual product knowledge kiosks were developed.
6. Establish the private/captive label products in the McKinley outerwear line.	The McKinley prototypes were developed and will be rolled out in Spring 2000. In addition, we introduced a new product line called "Firefly".
7. Attract quality independents to our franchise banner; target 12 new franchisees.	Four new franchisees entered FGL's programs this past year.
8. Complete technological upgrade of new integrated financial system, new warehouse management system and new store receiving system.	New financial systems were installed during the year and the new warehouse management and store receiving systems were rolled out in February 2000.



John Forzani
Chairman,
President and
Chief Executive
Officer.

This year marks the Company's 25th anniversary as well as its most profitable year in business. As I look back what strikes me the most about our Company is how FGL has evolved into what it is today, and the magnitude of exciting opportunities before us. Having grown from a single Calgary-based store to becoming the largest and most innovative retailer of sporting goods in Canada is gratifying. Today, FGL is a multi-faceted company, spanning the breadth of Canada with wholesale, retail, private/captive label and a soon-to-be launched e-commerce division.

Over the years, I have come to appreciate the ever-changing landscape of the retail industry and, more importantly, realized the necessity of anticipating consumer preferences and implementing these changes early across our corporate and franchise stores.

One significant development that occurred at FGL over the past year has been the deliberate and effective transformation of the Company. At fiscal year end 1999, FGL was evenly balanced as a premier sporting goods retailer between its corporate (132) and franchise (150) stores across Canada. During Fiscal 2000, we expanded our focus - factoring in consumer preferences - by furthering our private/captive label brands and prudently investing in the e-commerce development of FGL's website that will be operational later this year.

Over the past couple of years, FGL has focused on differentiating itself from other sporting goods retailers to better withstand the vagaries of the market. We have identified unique ways to position our stores incorporating a lifestyle approach thus having de-seasonalized our business. Our results validate the effectiveness of our strategy.

In our ongoing commitment to our shareholders, I am pleased to report that FGL experienced its most successful year in business. Our objectives during Fiscal 2000 were not only met, but we also posted excellent operational and financial results. Companies such as ours, with operations that are national in scope, require activities to be carried out by thousands of people in hundreds of locations.

To meet our objectives, it is necessary to first adopt strategies that are clear and easy to communicate and then to consistently execute our activities against those established strategies on a daily basis. While

developing the strategy can be a challenge, consistent execution on a national basis requires discipline and focus. It has been through our collective commitment in adhering to our strategies that enabled FGL to post solid financial results for our shareholders during Fiscal 2000.

Industry Overview

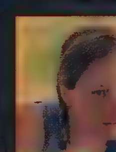
The sporting goods industry continues to grow at two to five percent per year. However, for sporting goods retailers in North America, this past year has been difficult. The retail industry continues to be fragmented and ripe for consolidation. In the United States, faced with an over-saturated market, two large regional chains filed for bankruptcy, while several others reported stagnant sales and decreasing profitability. Recently, the last of the American big box retailers in Canada closed their stores. Moreover, Canadian independent retailers continued to exit the market at a rapid pace. While not faced with the same saturation levels as in the U.S., Canadian independents are finding it increasingly difficult to compete in an industry largely driven by volume. Other regional chains in Canada have been forced to slash prices in an effort to clear excess inventory of athletic apparel and despite this situation, several retailers still experienced negative comparative store sales. Our assessment of the industry is that the combination of weaker purchasing power and higher cost structure of smaller retailers will continue to take its toll and we expect performance volatility to continue.

Against all the turmoil in the sporting goods industry in North America, FGL posted its most profitable year ever.

Highlights, Fiscal 2000

Corporate Retail Division

FGL's corporate store network spans the entire country. Over the past year, we continued to expand our corporate store base, opening 20 Sport Chek and 9 Forzani's stores. We now have 1,450,000 square feet of corporately-owned retail selling space, representing an increase of 376,000 square feet or 35% in the past three years. By comparison in the same period, it is estimated that 2,400,000 square feet of retail selling space left the market, resulting from the exit of the big box American retailers and small independents. Despite FGL's rapid expansion, we have replaced only a portion of the retail space that has become available. Today, there are still communities that do not have an FGL banner, suggesting that there is still ample room for further expansion.



During the year, we posted good comparative store sales increases on the corporate front. This was largely driven by product selection, increased staff productivity, customer service and loyalty programs. With FGL ranking as one of the top two customers to most vendors, we are able to access products otherwise unavailable to other competitors. Given our procurement levels, we are further able to offer customers a broader assortment at more competitive prices.

Private/Captive Label

In Fiscal 2000, we acquired from Europe's largest sporting goods retailer and distributor, Intersport S.A., the exclusive rights to market Intersport products in the U.S., complementing FGL's exclusive Canadian rights previously held. With over 4,300 stores in 26 countries, Intersport S.A. represents the largest buying group in the world. This association provides us with an enormous opportunity and selection of private/captive label offerings. In turn, FGL now has access to source and market its own private/captive label products for its corporate and franchise locations. The ability to offer our own private/captive brands permits us to offer our customers high quality merchandise at competitive prices. Again, this is another example of how FGL differentiates itself from other competitors, further enhancing our profitability. Based on the feedback and orders placed at the recent unveiling of our private/captive label products at the franchise buying show, we are confident of the financial success of this initiative.

Wholesale/Franchise Division

Our franchise division has been equally busy over the past year with its 165 locations, successfully executing a number of new initiatives while delivering strong performance. By continually improving services, FGL has earned its mark of distinction as the franchisor of choice: we provide our franchisees with access to products at prices otherwise unavailable to them and a full range of services from site selection and store construction to store training and back office support. In the coming year, we intend to consolidate the number of banners in our franchise division to four. To build on our Intersport association and offer increased flexibility for potential members, Podium Sports, Forzani Athletique and Zone Athletik stores will be converted to the Intersport name. We believe this will give us the right mix of store formats to continue expanding our franchise network and capture increased market share.

E-commerce

Through the formation of a separate company, FGL will be launching its own retail website in Fall 2000. Our e-commerce strategy has been designed to complement, and not compete, with our existing bricks and mortar business. The Internet definitely provides an exciting opportunity for us to further expand our distribution network. Our website, in combination with the integration of our traditional stores, will offer consumers product selection, destination and ease of exchange - unlike other sport websites operational today.

Again, with a view to differentiate FGL's website from that of others, we have formed an alliance with two media partners that offers us significant advantages. Firstly, our website audience will be provided with continuous media exposure without us having to invest heavily in advertising expenditures; and secondly, we will be able to further capitalize on leveraging our significant product and distribution capabilities. Our

website will be informative, entertaining and exciting – available at all stores offering customers an even greater assortment of products. Based on our projections, it is our belief that FGL's e-commerce initiative will be profitable within three years from launch date.

Staff Productivity, Customer Service, Loyalty Programs

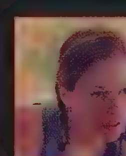
We continue to invest our resources into a strategic initiative implemented a couple of years ago - The Forzani Retail College and Forzani Academy - to enhance staff training and product knowledge for all sales staff. Superior customer service and a highly motivated sales force have increased overall store staff productivity and contributed to the Company's strong performance.

We are also the exclusive sporting goods retailer to offer AirMiles™ reward miles and have recently extended our AirMiles™ offering across all corporate and franchise stores. In Fall 1999, FGL introduced its own credit card. Looking ahead, we intend to offer customers the ability to finance large ticket purchases at no cost to them and receive additional incentives such as reduced service shop fees and pre-sale shopping privileges. A combination of these programs and incentives will continue to encourage consumer loyalty to shop at FGL stores.

Outlook

Unlike any other time in FGL's history, we are in a unique situation in that there are so many opportunities for growth. As U.S. based retailers grapple with their internal problems and competitors in Canada continue to exit the market, FGL has the opportunity to solidify its lead position in the industry. Sport Chek, our big box format, represents a primary vehicle for FGL's expansion on the corporate front. For many of these stores, we will have negotiated the exclusive rights from the landlord to sell hardgoods in the malls.

The successful no-frills low-cost banner concept test in Quebec, "Econosports" was concluded and later this year, FGL will introduce its own corporate store discount banner directed at price-conscious consumers. The introduction of FGL's own private/captive label brands also adds a significant dimension of growth opportunity for us.



Our opportunities for growth also extend to our franchise division. The conversion of rural and smaller niche players to the Intersport banner will allow us to attract additional franchisees.

In an industry ripe for consolidation, FGL is viewed as a natural consolidator. Of course, we have and will continue to be judicious in only pursuing those opportunities that have both strategic merit and enhance our profitability. In the face of so many opportunities, some might question whether any one company can capitalize on all of them. Well, the answer is that FGL is better equipped than its competitors to do so. I say this with conviction because we have a unique culture. At FGL, we have a highly talented and motivated staff base who are driven by what they do and who are relentless in their pursuit of goals, and more importantly, relentless in their pursuit of results. I am confident that our Company has the momentum and commitment to seize the opportunities before us.

However, despite our noteworthy performance, our stock price has been impacted by the same general malaise directed at all retailers. In fact, many traditional value stocks in strong performing sectors have witnessed a dramatic migration of capital directed to the technology sector. Given our suite of new initiatives and record performance, I am optimistic that the market will come to recognize FGL's strength and unique positioning in this sector.

I would like to express my sincere appreciation to our employees for their efforts during this remarkable year, to our Board for their commitment and counsel and to our shareholders for taking the time to truly understand the unique positioning and potential of our Company.

On behalf of the Board of Directors,

J. M. Forzani

John M. Forzani
Chairman

OPERATIONS REVIEW

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DARRYL SITTLER
PASSPORT TO SPORT & CELEBRITY SKATE
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PRIVATE / CAPTIVE LABEL PRODUCTS

Retail Operations

FGL has redefined the concept of sporting goods retailing by migrating the experience to one focused on an active lifestyle. Our Sport Chek stores are typically bigger, averaging 20,000 square feet in size. Our product offering is very broad with over 46,000 items in our stores, and our product mix is geared to Canadian families with special emphasis on women and children. To complete the experience, our stores are designed to factor in our customers' preferences as a priority. This involves paying particular attention to product groupings and boutiques set in an inviting and dynamic environment.

Guided by the Company's core ideology and its underlying strategic pillars, our corporate business executed several new initiatives, growing the business materially. Summarized below are some of the key corporate statistics.

	Fiscal 2000	Fiscal 1999	% Change
Retail Sales ($000s)	**325,041**	275,293	18.1%
Square Footage (000s)	**1,450**	1,098	32.1%
Number of Stores	**128**	132	(3.0%)
Store Operating Expenses as a Percentage of Total Revenue	**18.7%**	20.3%	(1.6%)

During Fiscal 2000, we implemented the following corporate initiatives:

- The new Sport Chek format was rolled out across the country with the addition of 20 new stores;
- Our women's and children's categories were significantly expanded with dedicated in-store areas;
- The casual clothing offering was significantly enhanced;
- On the technological front, we launched Sport Chek T.V. – an informative, entertainment medium;
- Our latest generation Virtual Product Knowledge Kiosk (VPK3) was developed. Web-enabled, VPK3 will act as the in-store gateway to our future e-commerce catalogue to enhance our customers' product selection;
- The Air Miles™ Reward Program was rolled out across all corporate stores;
- The Sport Chek Credit Card was launched;
- Private/captive label offerings in our stores increased and 83% of employees' skills were enhanced in areas of product knowledge and customer interaction by our Forzani Retail College.

Looking ahead, Fiscal 2001 will pave the way for continued spectacular growth for FGL's corporate business, with the expected addition of 15 corporate stores and five new discount banner stores, resulting in over 400,000 square feet of new space.

Wholesale/Franchise Operations

FGL operates North America's premiere sporting goods retail franchise program. Our franchise business approach is a holistic one, with the objective of permitting the franchisee to focus on their customer base. As a result, FGL offers the independent retailer not only the lowest product acquisition costs in the industry, but also a vast array of support services such as human resources, training, accounting, store design and construction, marketing, advertising, loss prevention and information technology. This approach, permitting FGL franchisees to focus on their customers, has resulted in vastly superior financial performance for the FGL franchisee in comparison to that of the independent retailer.

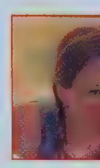
FGL's franchise business was busy during Fiscal 2000, successfully executing a number of new initiatives while delivering excellent performance. Summarized below are some of the key franchise statistics.

	Fiscal 2000	Fiscal 1999	% Change
Retail Sales ($000s)	**238,074**	224,999	2.8%
Square Footage (000s)	**878**	719	22.1%
Number of Stores	**165**	150	10.0%
Wholesale Sales to Franchisees ($000s)	**129,060**	103,355	24.9%

During Fiscal 2000, several new initiatives were undertaken in the Franchise Division:

- The successful no-frills low-cost banner concept test, "Econosports" in Quebec was concluded, demonstrating to FGL the viability of a low price point banner;
- New point of sale and back office systems were installed in franchise stores;
- Significant effort went into the development of a new sales vehicle for franchisees, the Sports Experts catalogue, which will be launched in Spring 2000;
- A new FGL division, Intersport North America, was created to develop the Company's private/captive label business in Canada;
- The highly successful AirMiles™ Reward Program, piloted in our corporate stores, was rolled out to franchise stores late in the third quarter.

Looking ahead to Fiscal 2001, the franchise business will continue to grow, through the introduction of more private/captive labels, by adding 20 new stores; and through the conversion of Podium Sports, Zone Athletik and Forzani Athletique to the new Intersport banner.



Private/Captive Label Products

Over the past couple of years, FGL has sought to differentiate itself from its competitors by obtaining exclusive rights to products and brands. FGL's exclusive labels fall within two distinct categories: 'exclusive' brands and 'special make-up units' ('SMUs'). SMUs are models with recognized national brand names that are produced exclusively for FGL. Exclusive or house brands, includes merchandise which FGL either owns or has the exclusive right to retail in a geographic area. Many of these products are owned through our association with Intersport S.A., an international Swiss-based buying group. Intersport is the world's largest sporting goods buying and retailing group with a presence of more than 4,300 stores in 26 countries, reporting sales of U.S. $5.6 billion in its most recently completed fiscal year.

During the past fiscal year, FGL solidified a critical business alliance with Intersport S.A. by obtaining the exclusive rights to the Intersport banner and private/captive labels for the U.S. This, combined with the Canadian rights that FGL already has, will provide consumers with an alternative to branded merchandise and will allow FGL to further differentiate itself from the competition while enhancing margins. The U.S. rights will permit FGL, as part of its longer-term strategy, to offer a higher quality alternative to branded merchandise to the largely independent and regional chain based sporting goods stores in the U.S. $67 billion sporting goods market.

E-commerce

In Fall 2000, FGL will launch Canada's most comprehensive sports and active lifestyle website. Our business will leverage FGL's existing bricks and mortar business and take advantage of strategic media/sports content partners. These relationships will provide FGL with television, newspaper and web-based media exposure and will also ensure that FGL has a rich web-based consumer offering. Backed by FGL's unit fulfillment capabilities and with the flexibility of at-home or store pick up and return, the consumer experience is assured to be both convenient and reliable. It will be challenging for both U.S. retailers and other Canadian e-commerce players to match FGL's website convenience and reliability factors as well as FGL's 40,000 plus assortment capability in sports and sports-related products. Our website will position FGL to offer fulfillment capabilities for major and amateur leagues and will act as a national consolidator of e-commerce fulfillment for affiliated categories as a result of our strong strategic portal partnerships, our coast to coast store base and built-in unit pick and ship capabilities.

We expect our website to be profitable within three years from launch date and this will significantly increase FGL's overall volume and Canadian market share.

Corporate Governance Practices

The mandate of the Board is to supervise the management of the business and affairs of the Company and to act in the best interest of the Company. The Board's major responsibilities are:

- To ensure the Company adopts a strategic planning process;
- To review and monitor the Company's principal business risks, as identified by management, and the system to manage such risks;
- To appoint, develop and monitor senior management and ensure that management provides for succession planning;
- To ensure the Company has a policy in place to enable it to communicate effectively with shareholders, other stakeholders and the public generally; and,
- To ensure management provides for the integrity of the Company's internal control and management information systems.

A detailed description of the Company's Corporate Governance practices and activities during Fiscal 2000, as well as a review of the activities of the Committees of the Board, are outlined in the Company's Management Information Circular.

THE FORZANI FOUNDATION, A Community Partnership

In Fiscal 2000, the Company established The Forzani Foundation, a public charitable foundation to channel all of FGL's corporate giving practices. Supporting the community has always been a key initiative of FGL for many years. Through this Foundation, we will continue our long-term commitment to provide financial support to registered charities, enhance FGL's current events, and create new events to support charitable events, sponsorships and other causes beneficial to communities across Canada.

Specifically, the Foundation's objectives are to (i) promote health, wellness and physical fitness; (ii) to support prevention of sickness and offer disability relief; (iii) to promote participation and education in sports; (iv) to assist and support children, youth and families; (v) to support and encourage all FGL employees to participate in community volunteerism.

Our major charitable and community events last year included:

- FORZANI'S MOTHER'S DAY RUN & WALK
  This is a national fund-raising event held in Calgary, Edmonton, Winnipeg, Toronto, Montreal and Halifax focused on the promotion of healthy lifestyles through active physical participation. To-date, FGL has raised over $895,000 for Heart Health initiatives.
- FORZANI'S IRONMAN GOLF INVITATIONAL
  The Forzani's Ironman Golf Invitational, has been an annual one-day event in Calgary for the past 9 years. A total of $106,000 was raised last year and donated to the Gastro-Intestinal Program at the Peter Lougheed Centre.
- DARRYL SITTLER SPORTS CELEBRITY FESTIVAL
  Over the past two years, Sport Chek has been the title sponsor of "Darryl Sittler's Passport to Sports", as part of Toronto's Special Olympics Sports Celebrity Festival. In total, this event raised in excess of $1.4 million last year and we are proud to have participated in supporting the needs of special Olympians.
- THE FORZANI GROUP'S "GALACTICA 2000" GALA
  Through FGL's Quebec offices, we continue to support The Quebec Special Olympics and are pleased to have donated over $90,000 over a three-year period to this very worthwhile cause.
- RONALD MCDONALD CHILDREN CHARITIES SKI CHALLENGE
  Over the past couple of years, Sport Chek and Sports Experts in Quebec have been the national sponsors of The Ronald McDonald Children Charities Ski Challenge's in Alberta, British Columbia, Ontario and Quebec, with $100,000 raised in each area to support children's activities in local communities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Review of Operations
- Retail Square Footage
- Gross Margin
- Operating and Administrative Expenses
- Financial Conditions
- Financing
- Retail Risks and Uncertainties
- Accounting Policies
- Future Events and Trends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This discussion and analysis should be read in conjunction with the Consolidated Financial Statements and related Auditors' Report dated March 17, 2000.

Management's discussion and analysis provides an overview of the performance of The Forzani Group Ltd. and its subsidiaries ("FGL" or the "Company") for the 52 week period ended January 30, 2000 ("Fiscal 2000") compared to the 52 week period ended January 31, 1999 ("Fiscal 1999").

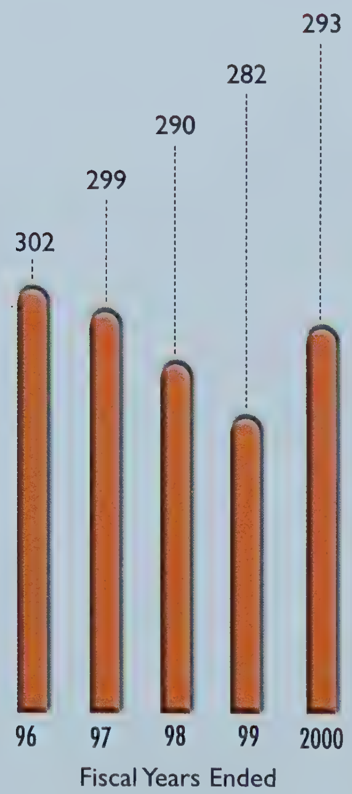
Review of Operations

Overview

FGL is the largest specialty retailer of athletic and leisure clothing, footwear and equipment in Canada. The Company operates 128 corporate stores under the banners Sport Chek, Forzani's and Sports Experts. In addition, the Company wholesales to 165 franchisees who operate stores under the banners Sports Experts, Podium Sports, RnR Outdoors, Zone Athletik, Forzani Athletique and Econosports. A summary of the number of stores and retail square footage, by geographic region, is set out in the tables below.

Number of Stores

	British Columbia	Prairies	Ontario	Quebec	Atlantic & Northern	Total
Corporate	17	53	48	3	7	128
Franchise	6	19	11	118	11	165
	23	72	59	121	18	293

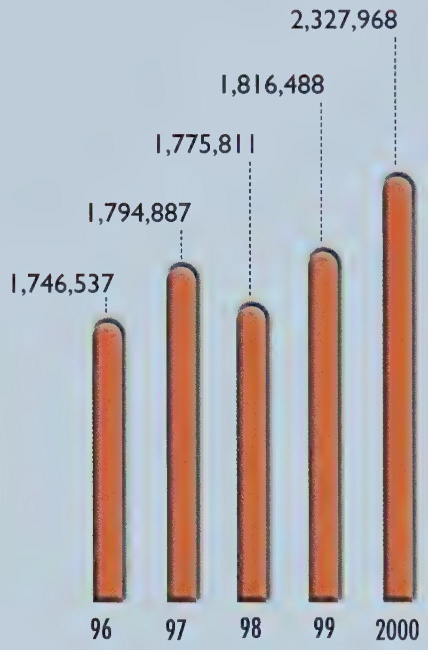


Number of Stores

In F2000, our store base totalled 293, an increase from 282 the previous year, with a split of 128 corporate and 165 franchise locations

Retail Square Footage

(thousands)	British Columbia	Prairies	Ontario	Quebec	Atlantic & Northern	Total
Corporate	230.8	542.4	571.3	18.1	87.7	1,450.4
Franchise	22.4	49.5	53.2	721.6	30.8	877.5
	253.2	591.9	624.5	739.7	118.6	2,327.9



Fiscal Years Ended

Total Square Footage

Total square footage increased 28.2% of which 32.1% was in corporate operations and 22.1% in franchise operations.

In Fiscal 2000, the Company generated a profit of $14.3 million, an increase of $6.2 million or 76.6% over Fiscal 1999. Basic earnings per share in Fiscal 2000 were $0.53, based on weighted average outstanding shares of 26,947,618, compared to $0.36 in Fiscal 1999, based on weighted average outstanding shares of 22,881,488. Cash flow per share increased 27.1% from Fiscal 1999 to $0.75 on the larger share base.

The following table summarizes the Company's operating results for the last two Fiscal years.

(in thousands of dollars, except per share data)	**January 30, 2000**	January 31, 1999
Revenue	**454,101**	378,648
Operating Income	**25,449**	18,785
Net Income	**14,343**	8,124
Basic Earnings per Share	**0.53**	0.36
Cash Flow From Operations, per Share (basic)	**0.75**	0.59
Weighted Average Number of Shares Outstanding	**26,948**	22,881

Retail Sales

Retail sales from corporate and franchise locations were $563.1 million, an increase of 12.6% over Fiscal 1999.

(in thousands of dollars)	**January 30, 2000**	January 31, 1999
Corporate	**$ 325,041**	$ 275,293
Franchise	**238,074**	224,999
	$ 563,115	$ 500,292

Retail Sales by Geographic Region

FGL's corporate and franchise store network spans the entire country. The percentage of retail sales derived by geographical region is set out in the following table. In Fiscal 2000, FGL's corporate store expansion was concentrated in Ontario.

(percent)	**January 30, 2000**	January 31, 1999
Western Canada	**34.8**	34.0
Ontario	**25.3**	23.7
Quebec	**35.1**	38.5
Atlantic Canada	**4.8**	3.8
	100.0	100.0

Comparative Store Sales

The sporting goods industry continues to grow at two to five percent per annum. However, for the past two years, the retail climate has been challenging. In the U.S., faced with an over-saturated market, two large regional chains filed for bankruptcy. Many other retailers, both in the U.S. and Canada, experienced stagnant sales and decreasing profitability.

Despite this, FGL continued to post strong comparative store increases in its corporate division, while franchisees' sales were flat. In fact, for the past 11 quarters, the corporate division has posted strong comparative store sales increases. A summary of comparative store sales changes, by quarter, for both the corporate and franchise division is outlined below.

(percent)	**Fiscal 2000**		Fiscal 1999	
	Corporate	**Franchise**	Corporate	Franchise
Q1	**9.1**	**(3.1)**	27.9	11.5
Q2	**7.0**	**2.0**	19.3	8.9
Q3	**10.2**	**(0.6)**	12.9	9.1
Q4	**3.3**	**(1.3)**	15.0	6.7
	7.4	**(1.3)**	17.9	7.0

The strong sales increase in the corporate division was attributable to a number of factors. A considerable amount of training was invested at store level aimed at improving the overall level of customer service. These training programs focused on teaching selling skills, product knowledge and

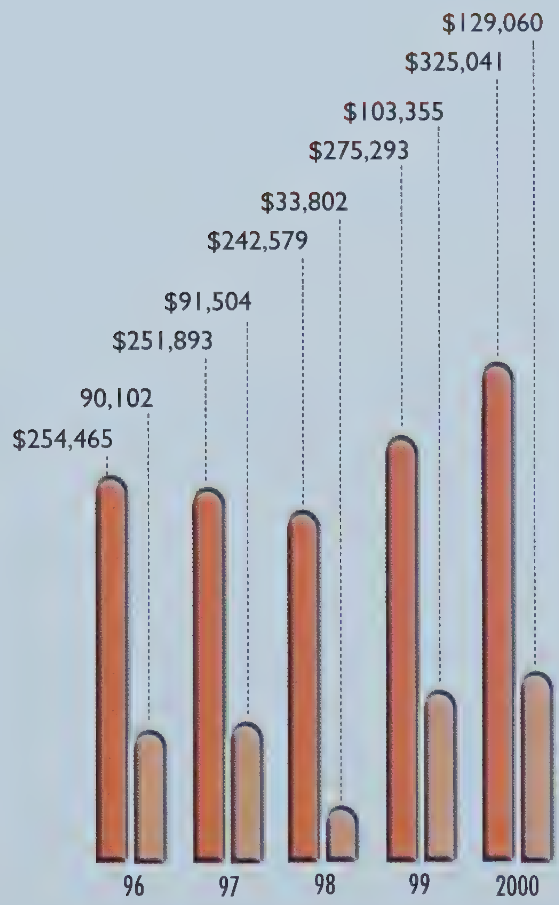
consistent delivery of exceptional customer service. This, coupled with a sales force compensated based on performance, resulted in a marked increase in staff productivity and comparative store sales. In addition, in Fiscal 2000, FGL extended its AirMiles™ Reward Program to all corporate stores, not just Sport Chek stores. As the exclusive sporting goods retailer in Canada to offer AirMiles™, this program differentiates FGL from its competitors and encourages customer loyalty.

In the franchise division, retail stores are concentrated primarily in the province of Quebec. Our franchisees in Quebec already command over 30% of the market. During the past year, competition heightened in this market as certain competitors liquidated excess inventories of athletic clothing and footwear, which impacted the overall retail sales of franchisees.

Revenue

Revenue from the Company's corporate and franchise divisions increased by $75.5 million, or 19.9%, over Fiscal 1999 to $454.1 million. A discussion of growth in corporate and franchise revenue is set out below.

(in thousands of dollars)	**January 30, 2000**	January 31, 1999
Corporate (retail)	**$ 325,041**	$ 275,293
Franchise (wholesale)	**129,060**	103,355
	$ 454,101	$ 378,648



Fiscal Years Ended

Revenue by Division
($ thousands)

In F2000, sales from corporate locations increased 18.1% to $325.0 million and franchise revenues increased 24.9% to $129.0 million.

Corporate Revenue

Corporate revenue consists of merchandise sales and other miscellaneous income from service shop and equipment rentals. In Fiscal 2000, total corporate revenues increased 18.1% to $325.0 million. This increase in corporate revenue was attributable to a number of factors: In Fiscal 2000, FGL opened 20 new Sport Chek and 9 Forzani's stores. The majority of these stores were in the Ontario market. In the past year, a number of Forzani's leases came up for renewal. Eight of these locations were replaced with a larger Sport Chek store in the same mall. In addition, the Company franchised its RnR banner in May 1999.

Corporate Store Changes By Banner - Fiscal 2000

	Sport Chek	Forzani's *	RnR Outdoors**	Total
Balance, Opening	42	79	11	132
Opened	20	9	–	29
Closed	(2)	(19)	–	(21)
Franchised	–	(1)	(11)	(12)
Balance, Ending	60	68	–	128

* Includes Forzani's and Sports Experts (corporate) stores

** RnR stores franchised during the year.

As a result of corporate store expansion, total corporate retail selling space increased 32.6% to 1.45 million square feet.

Square Footage by Banner

(in thousands)	**January 30, 2000**	January 31, 1999
Sport Chek	**1,159.3**	776.9
Other banners *	**291.1**	320.9
	1,450.4	1,097.8

* Includes Forzani's and Sports Experts (corporate) stores. January 31, 1999 numbers include RnR stores which were franchised in May 1999.

In addition to opening new stores and increasing the overall retail selling space, a number of initiatives at store level (discussed earlier) also contributed to higher corporate revenues.

Revenue by Category

In general, the Company has three sales departments: footwear, hardgoods (equipment) and softgoods (clothing). Sales, in terms of absolute dollars, increased in all categories, with hardgoods and softgoods increasing by a larger percentage. This change in sales mix is reflected in the table below. In softgoods, the strongest gains were in the outerwear, casual and women's departments, while in hardgoods the biggest gains were in hockey, in-line skates, snowboards and skis. Sales in athletic clothing continued to be competitive as a result of fierce competition in the market place and lack of product innovation in the past two seasons.

(percent)	**January 30, 2000**	January 31, 1999
Footwear	**25.9**	28.4
Hardgoods	**32.1**	30.6
Softgoods	**42.0**	41.0
	100.0	100.0

Franchise Revenue

Franchise revenue consists of wholesale sales to franchisees and other miscellaneous income from royalties and administrative fees. In Fiscal 2000, franchise revenue increased 24.9% over the previous year to $129.1 million. As noted earlier, retail sales by franchisees on a comparative store basis were relatively flat to Fiscal 1999. Growth in franchise revenue resulted from the addition of new franchisees.

In Fiscal 2000, 26 new franchise locations were opened, including 13 RnR Outdoors stores. Of the new stores, 15 were in Alberta, eight in Quebec, two in Ontario and one in British Columbia.

Franchise Store Changes By Banner - Fiscal 2000

	Sports Experts	Podium Sports	Zone Athletik*	RnR Outdoors	Other**	Total
Balance, Opening	89	45	8	0	8	150
Opened	8	2	0	13	3	26
Closed	3	1	2	1	4	11
Balance, Ending	94	46	6	12	7	165

* Includes Zone Athletik, Forzani Athletique, and Intersport

** Includes Econosports, Jersey City, and buying members

As a result of the store expansion, total retail selling space in the franchise division increased 22.1% to 877,500 square feet.

Square Footage by Banner - Franchise Stores

(in thousands)	**January 30, 2000**	January 31, 1999
Sports Experts	**586.9**	490.8
Podium Sports	**213.6**	193.2
Zone Athletik	**13.1**	16.5
RnR Outdoors	**27.1**	0.0
Other	**36.8**	18.2
	877.5	718.7

Gross Margin

Gross margin, on a combined basis from corporate and franchise sales, was 31.6%, compared to 33.0% in Fiscal 1999. The decrease in combined gross margin was due to a different sales mix between corporate and franchise sales. In May 1998, suppliers ceased billing franchisees directly. Accordingly, during the first quarter of Fiscal 1999, the gross margin consisted primarily of only corporate sales. Corporate sales have significantly higher margins than wholesale sales to franchisees.

In the corporate division, overall margins increased 30 basis points despite continued downward pressure on athletic clothing margins as a result of other retailers liquidating excess inventories. Although the Company did not have significant excess inventory, it was forced to match discounts to preserve its market share. Athletic clothing margins fell 52 basis points. The sales associated with these margins represent 18.9% of corporate revenues.

Operating and Administrative Expenses

Store Operating

Store operating expenses include all costs incurred to operate corporate stores plus the cost of supervising both corporate and franchise stores. In Fiscal 2000, store operating expenses decreased from 20.3% to 18.7% of total revenue as a result of higher sales volume and improved expense control programs.

General and Administrative

General and administrative expenses totalled $33 million, or 7.3% of total revenue, down from 7.8% in Fiscal 1999. General and administrative expenses increased in absolute dollars by $3.7 million due to higher distribution costs resulting from larger purchase volumes, increased advertising expenditures related to customer loyalty products, start up costs for new business initiatives such as the development of our own private/captive label products, and increased technology expenditures for Year 2000 compliance and other new initiatives.

Earnings Before Interest, Taxes, Depreciation and Amortization

Earnings before interest, taxes, depreciation and amortization were 5.6% of revenue, an increase of 64 basis points over Fiscal 1999.

Interest Expense

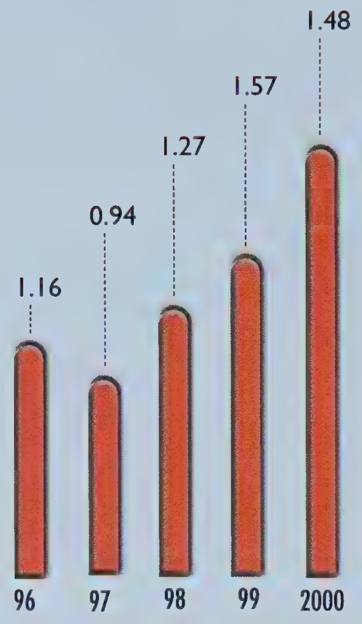
Interest expense was $2.5 million, a decrease of $1.6 million or 38.7% from Fiscal 1999 due to lower interest rates and lower average bank indebtedness. In Fiscal 2000, the average interest rate decreased from 7.6% to 6.5% as a result of decreases in the Canadian prime interest rate.

Financial Conditions

The Company's financial position continued to be strong at Fiscal 2000 year end. The following table highlights key liquidity and debt ratios for the Company.

	January 30, 2000	January 31, 1999
Working Capital Ratio	**1.48**	1.57
Accounts Receivable Days Outstanding	**106**	98
Inventory Turns	**1.79**	1.81
Net Debt to Total Capitalization	**19.4%**	25.4%

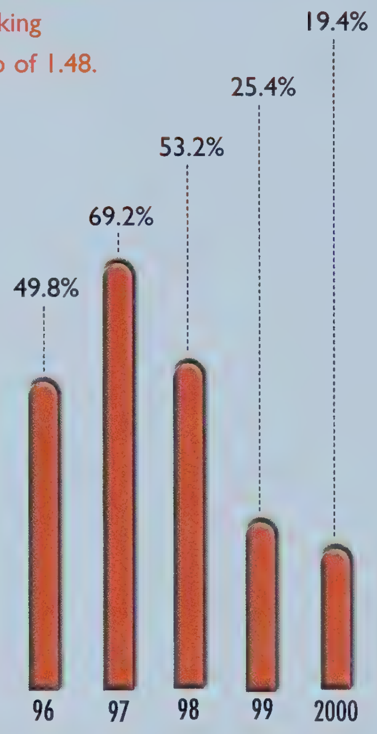
As at January 30, 2000, the Company had a working capital surplus of $45.1 million, compared to a surplus of $43.6 million in Fiscal 1999. Accounts receivable days outstanding increased to 106 days as a result of supplier terms. As a percentage of sales, past due balances decreased compared to the previous year. Inventory levels increased $20.7 million due to the addition of new stores and overall increase in retail selling space. In addition, the Company continued to take advantage of opportunistic buys of inventory. While these receipts had delayed payment terms and ultimately generated highly profitable margins, it did mitigate other improvements in inventory management, resulting in inventory turns consistent with the prior year.



Fiscal Years Ended

Working Capital Ratios

Our financial position continued to strengthen in F2000 with a working capital ratio of 1.48.



Fiscal Years Ended

Net Debt to Total Capitalization
(%)

Net debt to total capitalization was 19.4% in F2000, reflecting a decrease from 25.4% in F1999.

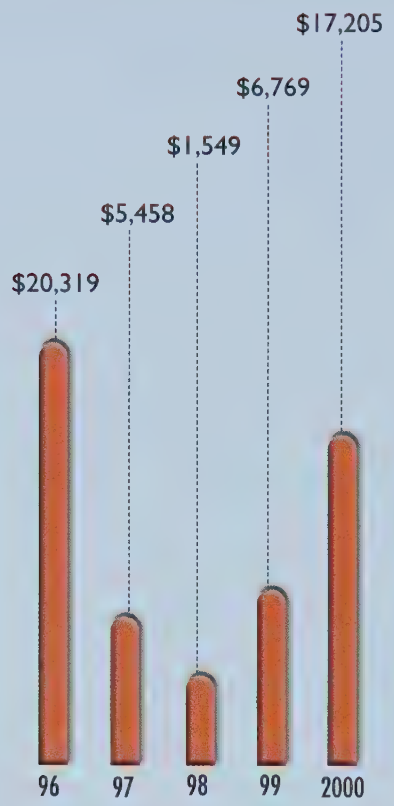
Cash Generated From Operations

Cash generated from operating activities, before changes in working capital, totalled $20.2 million in Fiscal 2000, an increase of 51.0% over Fiscal 1999.

Capital Expenditures

Capital expenditures, net of tenant inducements and disposals, were $17.2 million in Fiscal 2000, an increase of $10.4 million over the previous year. The majority of funds spent were used to renovate and open new corporate stores.

(in thousands of dollars)	**January 30, 2000**	January 31, 1999
Capital Expenditures	**$ 33,744**	$ 10,966
Less: Tenant Inducements	**(16,539)**	(4,197)
Net Capital Expenditures	**$ 17,205**	$ 6,769



Fiscal Years Ended

Net Capital Expenditures
($ thousands)

In F2000, net capital expenditures totalled $17.2 million, an increase of $10.4 million over the previous year. The majority of funds were directed to renovate and open new corporate stores.

Financing

Issuance of Shares

During Fiscal 2000, the Company issued 100,900 common shares for proceeds of $149,000 relating to employees exercising stock options.

Normal Course Issuer Bid

At the end of Fiscal 2000, the Company announced its intention to implement a normal course issuer bid for its common shares. For the twelve-month period commencing January 27, 2000 and ending January 26, 2001, the Company may purchase (on The Toronto Stock Exchange) up to 1,304,734 common shares in total, representing approximately 5% of the public float. The price that the Company will pay for any such shares purchased will be market price at the time of acquisition. The common shares will be purchased for cancellation. The actual number of common shares that may be purchased and the timing of any such purchases will be determined by the Company. During the year the Company purchased 117,700 common shares, under a previous normal course issuer bid, at a cost of $356,000.

Retail Risks and Uncertainties

The retail industry is influenced by a number of external factors that are difficult to actively manage. These include the overall economy, consumer spending and consumer debt levels. Other factors such as seasonality, changes in fashion trends, and adverse movements in foreign exchange and interest rates, can be managed.

The key elements of the Company's strategy for minimizing these risks are as follows:

Seasonality

The Company strives to minimize the seasonal impact on earnings by changing its merchandise mix to increase the emphasis on footwear and apparel, which are considered to be less seasonal.

Fashion Trends

Fashion trends in the sports apparel industry shift quickly and the Company's success in this area is largely dependent on its ability to gauge consumer preferences and to deliver merchandise in a timely fashion to satisfy consumer trends. The Company minimizes its exposure to changes in fashion trends by actively managing its inventory and aggressively marking down slow moving inventory.

Foreign Exchange Risk

The Company is subject to foreign exchange rate exposure resulting from importing merchandise from foreign vendors with payment in non-Canadian dollars. In Fiscal 2000, total foreign exchange exposure was approximately U.S. $6.3 million, or approximately 1.8% of the Company's purchases. From time to time, the Company uses forward contracts to fix exchange rates and protect planned margins. As at January 30, 2000, the Company had $2.5 million in foreign exchange contracts outstanding.

Interest Rate

The Company is subject to interest rate exposure as a result of short-term floating rate debt carried under its revolving credit facility. The Company manages its exposure to interest rate fluctuations by borrowing funds by way of either Index Rate Loans or BA Rate Loans.

Corporate Retail Operations Sensitivity Analysis

The following table illustrates the impact of what a one-percent increase in sales and margins in the Company's corporate retail operations has on gross earnings.

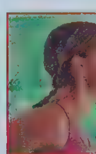
(in thousands of dollars)	**Fiscal 2000**	Fiscal 1999
Sales shift of 1%	**$ 1,330**	$ 1,122
Margin change of 1%	**$ 3,236**	$ 2,738

Accounting Policies

A new accounting standard for future income taxes, Section 3465, takes effect for fiscal years beginning on or after January 1, 2000. Consequently, for the first quarter of Fiscal 2001 (for the period ending April 30, 2000) the Company will adopt the new accounting recommendation of the Canadian Institute of Chartered Accountants, resulting in the recognition and recording of future income tax assets due to prior years' unrecognized income tax losses carried forward. The standard will be adopted retroactively, resulting in the restatement of Fiscal 2000 balance sheet amounts. The impact of the restatement to record a future income tax asset and increased retained earnings has not been determined. As a result of adopting the future income tax accounting standards and the anticipated usage of the Company's remaining income tax loss carry-forward, the consolidated statement of operations for the year ending January 31, 2001 will reflect a provision for income taxes.

Future Events and Trends

The Company anticipates the consolidation occurring in the sporting goods retail industry to continue. This will create opportunities for the Company to further increase its market share. As independent retailers continue to see reductions in their profit margins and as buying groups weaken, this will create opportunities for the franchise division to attract quality independents. Furthermore, as less productive retailers exit the market, it will create opportunities for further corporate expansion. In Fiscal 2001, the Company anticipates opening a minimum of 15 new corporate stores. While this is an aggressive growth plan, the Company has taken measures to minimize the risk to shareholders by ensuring that the economic models for all future store expansion generates a return of 20% on net asset investment in the first full year of operation.



Management's Responsibilities For Financial Reporting

The Annual Report, including the consolidated financial statements, is the responsibility of the management of the Company. The consolidated financial statements were prepared by management in accordance with generally accepted accounting principles. The significant accounting policies used are described in Note I to the consolidated financial statements. The integrity of the information presented in the financial statements, including estimates and judgments relating to matters not concluded by year end, is the responsibility of management. Financial information presented elsewhere in this Annual Report has been prepared by management and is consistent with the information in the consolidated financial statements.

Management is responsible for the development and maintenance of systems of internal accounting and administrative controls. Such systems are designed to provide reasonable assurance that the financial information is accurate, relevant and reliable, and that the Company's assets are appropriately accounted for and adequately safeguarded. The Board of Directors is responsible for ensuring that management fulfills its responsibilities for final approval of the annual consolidated financial statements. The Board appoints an Audit Committee consisting of three directors, none of whom is an officer or employee of the Company or its subsidiaries. The Audit Committee meets at least four times each year to discharge its responsibilities under a written mandate from the Board of Directors. The Audit Committee meets with management and with the independent auditors to satisfy itself that they are properly discharging their responsibilities, reviews the consolidated financial statements and the Auditors' Report, and examines other auditing, accounting and financial reporting matters. The consolidated financial statements have been reviewed by the Audit Committee and approved by the Board of Directors of The Forzani Group Ltd. The consolidated financial statements have been examined by the shareholders' auditors, Deloitte & Touche LLP, Chartered Accountants. The Auditors' Report outlines the nature of their examination and their opinion on the consolidated financial statements of the Company. The independent auditors have full and unrestricted access to the Audit Committee, with and without management present.

John M. Forzani
Chairman,
President and Chief Executive Officer

Robert Sartor, C.A
Executive Vice President
and Chief Financial Officer

Auditors' Report

To the Shareholders of The Forzani Group Ltd.

We have audited the consolidated balance sheets of The Forzani Group Ltd. as at January 30, 2000 and January 31, 1999 and the consolidated statements of operations and retained earnings and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We have conducted our audit in accordance with auditing standards generally accepted in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at January 30, 2000 and January 31, 1999 and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in Canada.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants

Calgary, Alberta
March 17, 2000

The Forzani Group Ltd.
Consolidated Balance Sheets

(Thousands of Dollars, Except Per Share Data)
(audited, except where otherwise noted)

As at	**January 30, 2000**	January 31, 1999
Assets		
Current		
Cash	**$ 355**	$ 224
Accounts receivable	**22,120**	24,183
Inventory	**113,827**	93,093
Prepaid expenses	**3,559**	2,901
	139,861	120,401
Capital assets (Note 2)	**65,890**	40,633
Other assets (Note 3)	**2,565**	1,521
	$ 208,316	$ 162,555
Liabilities and Shareholders' Equity		
Current		
Indebtedness under revolving credit facility (Note 4)	**$ 14,552**	$ 18,106
Accounts payable and accrued liabilities	**79,913**	57,845
Current portion of long-term debt	**280**	842
	94,745	76,793
Long-term debt (Note 5)	**4,447**	4,388
Deferred lease inducements	**26,435**	12,821
	125,627	94,002
Share capital (Note 7)	**82,681**	82,888
Retained earnings (deficit)	**8**	(14,335)
	82,689	68,553
	$ 208,316	$ 162,555

Approved on behalf of the Board:

R. Dvorinsk

Director

J. M. Forzani

Director

The accompanying notes are an integral part of these financial statements.

The Forzani Group Ltd.
Consolidated Statements of Operations and Retained Earnings

(Thousands of Dollars, Except Per Share Data)
(audited, except where otherwise noted)

For the years ended	**January 30, 2000**	January 31, 1999
Corporate and Franchise Retail Sales (unaudited - Note 10)	**$563,115**	$ 500,292
Revenue		
Corporate	**$325,041**	$ 275,293
Franchise	**129,060**	103,355
	454,101	378,648
Cost of sales	**310,816**	253,679
Gross margin	**143,285**	124,969
Operating and administrative expenses		
Store operating	**84,828**	76,826
General and administrative	**33,008**	29,358
	117,836	106,184
Operating income before undernoted items	**25,449**	18,785
Amortization	**8,564**	6,514
Interest	**2,542**	4,147
	11,106	10,661
Net income for the year	**14,343**	8,124
Retained earnings (deficit), beginning of year	**(14,335)**	(22,459)
Retained earnings (deficit), end of year	**8**	(14,335)
Basic earnings per share (Note 7)	**$ 0.53**	$ 0.36
Total number of common shares outstanding	**26,970,481**	26,987,281
Weighted average number of common shares outstanding	**26,947,618**	22,881,488

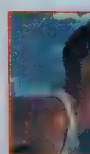
The accompanying notes are an integral part of these financial statements.

The Forzani Group Ltd.
Consolidated Statements of Cash Flows

(Thousands of Dollars, Except Per Share Data)
(audited, except where otherwise noted)

For the years ended	**January 30, 2000**	January 31, 1999
Cash provided by (used in) operating activities		
Net income for the year	**$ 14,343**	$ 8,124
Items not involving cash		
Amortization	**8,564**	6,514
Amortization of finance charges	**236**	658
Amortization of deferred lease inducements	**(2,925)**	(1,905)
Cash flow from operations	**20,218**	13,391
Changes in non-cash operating elements of working capital (Note 6)	**2,739**	(8,339)
	22,957	5,052
Cash provided by (used in) financing activities		
Proceeds from share capital and issuance of special warrants	**149**	22,346
Repurchase of share capital pursuant to normal course issuer bid	**(356)**	–
Proceeds from issuance of long-term debt	**540**	–
Principal repayment of long-term debt	**(1,043)**	(6,760)
Repayment of indebtedness under revolving credit facility	**(3,554)**	(13,270)
Proceeds from deferred lease inducements	**16,539**	4,197
	12,275	6,513
Cash provided by (used in) investing activities		
Purchase of capital assets	**(33,980)**	(11,042)
Purchase of other assets	**(3,565)**	(967)
Disposal of other assets	**2,208**	–
Disposal of capital assets	**236**	76
	(35,101)	(11,933)
Increase (decrease) in cash	**131**	(368)
Cash position, beginning of year	**224**	592
Cash position, end of year	**$ 355**	$ 224
Cash flow from operations, per share (basic) (Note 7)	**$ 0.75**	$ 0.59

The accompanying notes are an integral part of these financial statements.



1. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below:

(a) Organization

The consolidated financial statements include the accounts of The Forzani Group Ltd. and its subsidiaries, all of which are wholly owned.

(b) Inventory

Inventory is valued at the lower of laid-down cost and net realizable value. Laid-down cost is determined using the weighted average cost method and includes invoice cost, duties, freight, and distribution costs.

Volume rebates and other supplier discounts are included in income when earned.

(c) Capital assets

Capital assets are recorded at cost and are amortized using the following methods and rates:

Building	-	4% declining balance basis
Building on leased land	-	20 years straight line basis
Furniture, fixtures, equipment and automotive	-	straight line over 3-5 years
Leasehold improvements	-	straight line over the lesser of length of the lease and estimated useful life of the improvements, not exceeding 10 years
Trademarks	-	10 years straight line basis

(d) Other assets

Other assets include financing costs, system development costs, long-term receivables and goodwill.

Financing costs represent fees paid to obtain the Company's revolving credit facility. These costs are being amortized over the term of the facility.

System development costs relate to software and equipment.

Long-term receivables are carried at cost less a valuation allowance.

(e) Deferred lease inducements

Deferred lease inducements represent cash and non-cash benefits that the Company has received from landlords pursuant to store lease agreements. These lease inducements are amortized against rent expense over the term of the lease, not exceeding 10 years.

(f) Store opening expenses

Operating costs incurred prior to the opening of new stores are expensed as incurred.

(g) Fiscal year end

The Company's fiscal year ends on the Sunday closest to January 31.

(h) Foreign currency translation

Foreign currency accounts are translated to Canadian dollars as follows:

At the transaction date, each asset, liability, revenue or expense is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year end date, monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at that date and the resulting foreign exchange gains and losses are included in income in the current period.

(i) Financial instruments

Accounts receivable, accounts payable, and long-term debt constitute financial instruments. Based on the available information, the carrying value of the Company's accounts receivable and accounts payable approximates fair value as at January 30, 2000. See Note 5 for fair value information pertaining to long-term debt.

The Company is exposed to credit risk on its accounts receivable from franchisees. The accounts receivable are net of applicable allowances for doubtful accounts which are established based on the specific credit risks associated with individual franchisees and other relevant information.

The Company is also exposed to risks arising from fluctuations in interest rates and foreign exchange rates, and the degree of volatility of those rates. The Company enters into derivative transactions with financial institutions only as hedges of other financial transactions and not for speculative purposes. The Company's policies do not allow leveraged transactions and are designed to minimize credit risk.

(j) Measurement uncertainty

The amounts recorded for amortization of capital assets and the provision for shrinkage and obsolescence of inventory are based on estimates. By their nature, these estimates are subject to measurement uncertainty and the impact on the consolidated financial statements of future periods could be material.

(k) Stock Option Plan

The Company has a stock option plan which is described in Note 7. No compensation expense is recognized for this plan when stock options are issued to employees. Any consideration paid by employees on exercise of stock options is credited to share capital.

2. Capital Assets

	2000			1999		
	Cost	**Accumulated Amortization**	**Net Book Value**	Cost	Accumulated Amortization	Net Book Value
Land	**$ 638**	**$ -**	**$ 638**	$ 638	$ –	$ 638
Building	**5,813**	**954**	**4,859**	4,900	752	4,148
Building on leased land	**3,143**	**599**	**2,544**	3,136	481	2,655
Furniture, fixtures, equipment and automotive	**44,434**	**24,069**	**20,365**	32,597	20,612	11,985
Leasehold improvements	**61,868**	**24,435**	**37,433**	42,264	21,122	21,142
Trademarks	**259**	**208**	**51**	259	194	65
	$ 116,155	**$ 50,265**	**$ 65,890**	$ 83,794	$ 43,161	$ 40,633

3. Other Assets

	2000	1999
Financing costs, less accumulated amortization of $1,678,000 (1999 - $1,442,000)	**$ 471**	$ 650
System development costs	**216**	510
Long-term receivables	**1,756**	168
Goodwill, less accumulated amortization of $370,000 (1999 - $299,000)	**122**	193
	$2,565	$ 1,521

4. Indebtedness Under Revolving Credit Facility

The Company has a $75 million credit facility with General Electric Capital Canada Inc. ("G.E."). The term of the facility expires on December 4, 2001. Under the terms of the amended credit agreement, the interest rate payable is based on the Company's financial performance as determined by its interest coverage ratio. Depending on the level of coverage, the interest rate payable increases by increments of 25 basis points from prime up to prime plus 1%. At January 30, 2000, the interest rate paid was prime or 6.5%. The facility is secured by a general security agreement against all existing and future acquired assets of the Company. As at January 30, 2000, the Company is in compliance with all covenants.

5. Long-term Debt

	2000	1999
Mortgages, with monthly blended payments of $58,122, including interest at rates from approximately 7% to 10%, compounding semi-annually, supported by land and buildings, renewable July 1, 2004 and August 1, 2005.	**$ 4,557**	$ 4,292
Security deposits, refundable in annual installments from February 2000 to January 2001, bearing interest at prime plus 1/2%	**170**	332
Landlord deferral, bearing no interest, due in installments in April and May, 1999	**-**	606
	4,727	5,230
Less current portion	**280**	842
	$ 4,447	$ 4,388

Principal payments on the above mortgages due in next five years, assuming the mortgages continue to be renewed on similar terms, are as follows:

2001	$282
2002	$308
2003	$336
2004	$367
2005	$398

Based on estimated interest rates currently available to the Company for mortgages with similar terms and maturities, the fair value of the mortgages at January 30, 2000 amounted to approximately $4,560,000 (1999 - $4,302,000). Interest costs incurred on long-term debt amounted to $336,000 (1999 - $358,000).

6. Supplementary Cash Flow Information

Changes in Non-Cash Working Capital	**2000**	1999
Accounts receivable	**$ 2,063**	$ (16,877)
Inventory	**(20,734)**	(6,009)
Prepaid expenses	**(658)**	2,576
Accounts payable	**22,068**	11,971
	$ 2,739	$ (8,339)
Interest paid	**$ 2,306**	$ 3,489

7. Share Capital

(a) Authorized

An unlimited number of Class A shares

An unlimited number of Preferred shares, issuable in series

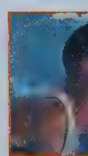
(b)

Issued	Number	Consideration
Balance, February 1, 1998	19,027,916	$ 60,542
Shares issued pursuant to special warrants offering (net of issue costs of $1,101,000)	4,650,000	15,639
Shares issued upon employees' exercising stock options	167,697	267
Shares issued upon the exercise of warrants	3,141,668	6,440
Balance, January 31, 1999	26,987,281	82,888
Shares issued upon employees' exercising stock options	100,900	149
Shares purchased pursuant to Normal Course Issuer Bid	(117,700)	(356)
Balance, January 30, 2000	26,970,481	$ 82,681

(c)

Earnings and Cash Flow Per Share	**2000**	1999
Earnings Per Share		
Basic	**$ 0.53**	$ 0.36
Fully diluted	**$ 0.50**	$ 0.34
Cash Flow Per Share		
Basic	**$ 0.75**	$ 0.59
Fully diluted	**$ 0.70**	$ 0.54
Weighted average number of common shares outstanding		
Basic	**26,947,618**	22,881,488
Fully diluted	**29,130,521**	24,960,245
Common shares outstanding		
Basic	**26,970,481**	26,987,281
Fully diluted	**29,219,181**	29,228,881

Fully diluted calculations assume that options under the stock option plan have been exercised at the later of the beginning of the year or date of issuance, and that the funds derived there from would have been invested at an annual after tax return of 4.0%.



(d) Stock Option Plan

The Company has granted stock options to directors, officers and employees to purchase 2,248,700 Class A shares at prices between $1.43 and $7.83 per share. These options expire on dates between May 3, 2000 and September 28, 2004.

A summary of the status of the Company's stock option plan as of January 30, 2000 and January 31, 1999, and any changes during the year ending on those dates is presented below:

	2000		1999	
Stock Options	**Shares**	**Weighted Average Exercise Price**	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	**2,241,600**	**$ 4.18**	2,007,000	$ 3.95
Granted	**623,000**	**$ 3.24**	455,000	$ 3.86
Exercised	**100,900**	**$ 1.47**	167,697	$ 1.59
Forfeited	**515,000**	**$ 7.76**	52,703	$ 3.49
Outstanding at end of year	**2,248,700**	**$ 3.19**	2,241,600	$ 4.18
Options exercisable at year end	**1,225,865**		1,377,934	

The following table summarizes information about stock options outstanding at January 30, 2000:

	Options Outstanding			**Options Exercisable**	
Range of Exercise Prices	**# Outstanding**	**Weighted Average Remaining Contractual Life**	**Weighted Average Exercise Price**	**# of Shares Exercisable**	**Weighted Average Exercise Price**
$1.43 - $2.72	642,700	2.0 years	$1.52	640,700	$1.52
$3.07 - $3.90	1,043,000	3.7 years	$3.46	260,499	$3.83
$4.16 - $4.52	493,000	3.2 years	$4.19	256,666	$4.18
$7.01 - $7.83	70,000	0.5 years	$7.60	68,000	$7.61
	2,248,700	3.0 years	$3.19	1,225,865	$2.91

8. Income Taxes

The provision for income taxes is $nil (1999 - $nil). Large Corporation Tax payable in the amount of $415,000 (1999 - $444,000) is included in operating expenses. The Company has non-capital losses of approximately $18.8 million available for carry-forward. The potential income tax benefits of these non-capital losses have not been recorded in the financial statements. These losses expire over the next 6 years.

9. Commitments

(a) The Company is committed at January 30, 2000 for minimum payments under long-term real property leases for the next five years as follows:

	Gross	Net of Subleases
2001	$30,735	$24,977
2002	$31,959	$26,741
2003	$30,948	$26,174
2004	$29,130	$23,866
2005	$26,199	$22,447

In addition, the Company is obligated to pay percentage rent under certain of the leases.

(b) As at January 30, 2000, the Company has open letters of credit for purchases of inventory of approximately $2,539,000 (1999 - $4,326,000).

(c) The Company has entered into long-term lease agreements for the rental of data processing hardware and software equipment. The leases, expiring at various dates until 2005, call for minimum lease payments of $1,636,000 in 2001, $1,410,000 in 2002, $1,144,000 in 2003, $756,000 in 2004 and $137,000 in 2005.

10. Corporate and Franchise Retail Sales

Total corporate and franchise retail sales have been shown on the Consolidated Statements of Operations and Retained Earnings to indicate the size of the Company's total retail sales level (on an unaudited basis). Only revenue from corporately owned stores and fees from franchisees are included in the Consolidated Statements of Operations and Retained Earnings.

11. Contingencies

(a) As part of its operations, the Company has entered into agreements with certain franchisees to buy back inventory in the event that the franchisees' bank realizes on related security. The maximum exposure to the Company is limited to the lesser of 75% of the book value of inventory or the franchisees' bank indebtedness. As at January 30, 2000, the maximum exposure was $14,423,000 (1999 - $15,516,000).

(b) Claims and suits have been brought against the Company in the ordinary course of business. In the opinion of management, all such claims and suits are adequately covered by insurance, or if not so covered, the results are not expected to materially affect the Company's financial position. Any costs to the Company arising from these claims and suits will be charged to earnings in the year in which they occur.

12. Segmented Financial Information

The Company operates principally in two business segments: corporately owned and operated retail stores and as franchisor of retail stores. Identifiable assets, depreciation and amortization, interest expense and capital expenditures are not disclosed by segment, as they are substantially corporate in nature.

	2000	1999
Revenues:		
Corporate	**$ 325,041**	$ 275,293
Franchise	**129,060**	103,355
	454,101	378,648
Operating Profit:		
Corporate	**29,439**	22,142
Franchise	**6,155**	5,993
	35,594	28,135
Non-segment specific administrative expenses	**10,145**	9,350
Depreciation and amortization	**8,564**	6,514
Interest expense	**2,542**	4,147
	21,251	20,011
Net Income	**$ 14,343**	$ 8,124

Glossary Relevant to the Retail Sector

FGL
This refers to The Forzani Group Ltd. and its wholly owned subsidiaries.

Store Banners
This is the name of the store in which retail sales activities are conducted: Sport Chek; Forzani's; Sports Experts; RnR Outdoors; Podium Sports; Zone Athletik; Forzani Athletique and Econosports.

Corporate Store
Corporate stores are owned 100% by FGL and include Sport Chek, Forzani's and Sports Experts.

Franchise Store
These are FGL's banner stores (Sports Experts; Podium Sports; RnR Outdoors; Zone Athletik; Forzani Athletique and Econosports) owned independently by business owners with a thorough understanding of the market and community in which they operate. FGL offers its franchisees services in the areas of merchandising, personnel, advertising and financial management support including volume purchasing benefits, retail accounting systems, consolidated invoicing and real estate services. In turn, FGL receives fees and royalties from each franchise store.

Destination Store
This is a free-standing or mall-attached store which is large and dominant enough to independently attract and draw a large volume of shoppers.

Category Killer
This refers to retail operations such as Sport Chek which carry a wide assortment of merchandise and have a market dominance for name brands and categories sold.

Private/Captive Label
This refers to merchandise bearing a name which is exclusive to a retailer in a specified geographic area under an agreement with the owner of that name.

House Brand
This is merchandise bearing a name owned and used exclusively by the retailer selling that product.

Special Make Up Products (SMU)
This refers to merchandise bearing a well-known brand name and the model is not available to other retailers in that particular geographic area.

SKU
This is a stock-keeping unit – a designation used to identify inventory.

Board of Directors

John M. Forzani
Chairman, President and Chief Executive Officer,
The Forzani Group Ltd.

Claude Beaulieu
Founder, Sports Experts

Albrecht W.A. Bellstedt, Q.C.
Senior Vice-President,
Law & Administration,
TransCanada PipeLines Limited

Robert G. Brawn
Chairman, Danoil Energy Ltd.

Roman Doroniuk
President, Lions Gate Entertainment Corporation

William D. Grace, FCA
Corporate Director

Donald Watt
Chairman, The Watt Design Group Inc.

EXECUTIVE OFFICERS

John M. Forzani
Chairman, President and Chief Executive Officer

William D. Gregson, C.A.
Executive Vice-President and Chief Operating Officer,
Corporate Retailing

Thomas G. Quinn
Executive Vice-President and Chief Operating Officer,
Franchise Retailing

Robert Sartor, C.A.
Executive Vice-President and Chief Financial Officer

OTHER OFFICERS

David B. Anselm
Vice-President, Operations

Richard Burnet, C.A.
Controller

Allan Dagnall
Vice-President, Marketing

Kenneth MacDonald
Vice-President, Process Management

D. Bruce Randall
General Counsel
and Corporate Secretary

Richard White
Vice-President, Merchandising

Janet A. Yuchem, C.A.
Vice-President, Finance

CORPORATE HEAD OFFICE
824 - 41st Avenue N.E.
Calgary, Alberta, T2E 3R3
Telephone (403) 717-1400
Facsimile (403) 717-1490
Website www.forzanigroup.com

EASTERN OFFICE
4141, Autoroute 440 Ouest
Laval, Quebec, H7P 4W6
Telephone (450) 687-5200
Facsimile (450) 687-6347

PRINCIPAL LENDER
General Electric Capital Canada Inc.

AUDITORS
Deloitte & Touche LLP, Calgary, Alberta

LEGAL COUNSEL
Fraser Milner
Calgary, Alberta

TRANSFER AGENT
Montreal Trust, Calgary, Alberta

Copies of the Annual Information Form
are available to shareholders on request.

Pour obtenir la version française
du rapport annuel de Le Groupe Forzani Ltée,
veuillez vous addresser à :

Le Groupe Forzani Ltée
4141, Autoroute 440 Ouest
Laval (Quebec) H7P 4W6

Stock Exchange Listing
The Toronto Stock Exchange
Symbol: FGL

Share Information

	Volume	High	Low	Close
1999	11,976,480	5.10	2.85	4.45
1998	5,100,698	4.15	2.50	3.10
1997	4,132,162	4.50	1.20	3.95
1996	3,936,596	5.62	1.30	1.50
1995	1,321,199	9.12	5.25	5.37
1994	2,443,016	12.87	6.12	9.25

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Printing: Ronalds Printing

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THE FORZANI GROUP LTD.

824 41st Avenue N.E. • Calgary, Alberta • T2E 3R3 • (403) 717 1400